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MindFlow: Purchasing savvy

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By Wayne Carter, LocalBusiness.com

PLANO, Texas, April 5 (LocalBusiness.com) -- MindFlow Technologies is capitalizing on connections with fast-food conglomerate Tricon Global Restaurants Inc. as it prepares to launch its **supply chain management** software into five target industries.

Jay Reddy, MindFlow's co-founder and chief executive officer, told LocalBusiness.com that the company's target list of industries, in order, is **food** and beverage, pharmaceuticals, high tech, telecommunications and automotive.

Stock Quote
TRICON GLOBAL
YUM 31.94 0.25 -0.78%
Results delayed 20+ minutes.

The plan is to find one or two partners, like Tricon, to prove the concept within an industry, then sell to the industry. Reddy said the company also plans to pitch online business-to-business exchanges to try to get them to offer ProcureMind to their customers under an application service provider model.

Reddy has an extensive background in purchasing and **supply chain management**. He worked as a consultant at Chrysler Corp. when the giant automaker was trying to reduce costs and boost efficiency. Reddy moved from there to Pepsico Restaurants, which was trying to achieve similar results in supplying its KFC, Pizza Hut and Taco Bell restaurants worldwide.

The idea for Plano-based MindFlow's ProcureMind software developed while Reddy was at Pepsico. He left Pepsico and formed MindFlow in June 1998 with chief technology officer Mark Griffis. Their goal: To build a business by relieving companies of the burden of developing purchasing **management** systems on their own. They believed that companies would pay for a common product that would be much cheaper than the proprietary systems Reddy and others had developed for individual companies.

"We were essentially developing software products, and it was taking years," Reddy said. "It's a painful process to develop software if you're not in the software industry."

ProcureMind is designed to evaluate a variety of variables that come into play for purchasing decisions. It can factor in contracts that require certain dollar amounts or volumes to be allocated to certain vendors. It is a Web-based product, so it can require purchasing managers at different locations to operate off same set of business rules and processes. And if one location is able to find a way to save money, that information is easily shared across the company.

Reddy said the key for MindFlow to think of supplies procurement as more than a series of individual transactions. He said companies must look for ways to build supplier relationships and banks of data that will save money and ensure that supplies are delivered when and where they're needed. Finding ways to reduce costs even by a small percentage can mean big savings for big companies.

"Purchasing managers are the gatekeepers to billions of dollars," he said. "Companies have started hiring people with MBAs and people with cross-functional backgrounds to run their purchasing departments."

Reddy's prior relationship with Pepsico Restaurants is paying off. That company was spun off from Pepsico and now operates as Tricon (NYSE: YUM). MindFlow has been operating out of space in Tricon's Plano headquarters, and Tricon has been using ProcureMind to help manage procurement for its U.S. restaurants.

"We've been more or less incubated by Tricon," Reddy said.

Ken Pokorny, systems development director for Tricon's global **supply chain management** department, said the company already is seeing benefits from using the software.

"It captures the intellectual thinking of experienced managers for ongoing training and processes, and it allows us to focus on items that we don't usually focus on," he said.

Pokorny said Tricon typically has used business analysts to evaluate ways to save money at individual purchasing centers. Those non-automated processes usually focus on high-expenditure items that account for about 80 percent of the company's purchasing costs. With ProcureMind, he said, the company has been able to look for ways to cut costs in the remaining 20 percent of its overall purchasing budget.

Tricon doesn't have an ownership stake in MindFlow; it just believes the potential savings using MindFlow's software merits its up-front support.

"We have \$6 billion spent globally [per year] for food packaging supplies," Pokorny said. "If we can get 20 percent of that back, that's enormous."

MindFlow also has captured Unified Foodservice Purchasing Corp. as a customer. UFPC is the purchasing conglomerate formed by franchisees of Tricon's restaurant brands to avoid having to rely on the parent company for supplies.

MindFlow has gotten a \$4 million investment from two venture firms and an individual, and the company expects to start full-blown sales efforts to its target industries in about a month.

"The next steps are to build the organization and get in some experienced sales and marketing people," Reddy said. "On May 1, we'll be hitting the road in execution mode."

COMPANY: MindFlow Technologies

INDUSTRY: Programming and software

PRODUCT/SERVICE: Supply chain management software

YEAR FOUNDED: 1999

MANAGEMENT: Jay Reddy, co-founder and chief executive officer, has worked on strategic purchasing developments for companies including Chrysler and Pepsico Restaurants; Mark Griffis, co-founder and chief technology officer, was responsible for building Nextel Communications' first research and development facility; Srinivasa Krishnaswamy, business development and product **management** vice president, was a sourcing, e-procurement and **supply chain** consultant for Deloitte Consulting; Tricia Conover, sales and marketing vice president, was sales director at Dallas-based TenFold Inc.; Kevin Lewis, controller, was finance manager at Tricon Global Restaurants Inc.

OUTSIDE INVESTORS: Hunt Ventures, Triton Ventures, Ashutosh Roy (chairman and CEO of

Sunnyvale, Calif.-based eGain Communications Corp.)

EMPLOYEES: 15

FISCAL YEAR REVENUES: N.A.

STRATEGIC PARTNERS: Tricon Global

CUSTOMERS: Tricon Global, Unified Foodservice Purchasing Corp.

COMPETITORS: Cambar Software, eTopware Inc., i2 Technologies

STRATEGY: "To facilitate the transformation of purchasing from a transactional process to strategic sourcing and to pick industries where companies are already going through the pain of that transformation." -- Jay Reddy

WHAT KEEPS THEM AWAKE AT NIGHT: "The passion that what we're doing is not just automating a process. We're transforming a function into a competitive advantage." -- Jay Reddy

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